RV Business

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MARCH 20, 1989

New RVIA Study Shows Big Rise In RV Owning

RV ownership rose considerably during the 1980s – from 1-in-12 households in 1980 to 1-in-10 in 1988 – in spite of a rather lackluster economic environment, according to a preliminary draft of the latest University of Michigan study of RV and van-conversion consumers.

The study, which was commissioned by RVIA and released to industry leaders at the RVIA annual meeting, Feb. 26-March 1 in Maui, Hawaii, found that the number of households owning RVs grew by nearly 2 million from 1980 to 1988 to a total of 7.74 million, an average increase of 100,000 households per year.

Although van conversions accounted for a large share of that increase, ownership of other RV types – with the exception of truck campers – also posted gains during the '80s. And most of these gains were garnered without the frustrating boom-and-bust cycles of the industry's earlier years, stressed Richard T. Curtin, director of University of Michigan (UM) Surveys of Consumers, which conducted the study.

For these and other reasons, Mac Bryan, RVIA vice president of administration, said he views the latest Curtin study as largely positive. He pointed out that RV gains were made despite the many negatives encountered in the 1980s and outlined in the study – such as lagging purchasing power, the loss of thousands of high-paying manufacturing jobs and burgeoning used-equipment inventories. Added to those problems was the delayed impact of the "baby bust" of the 1930s, which dimin

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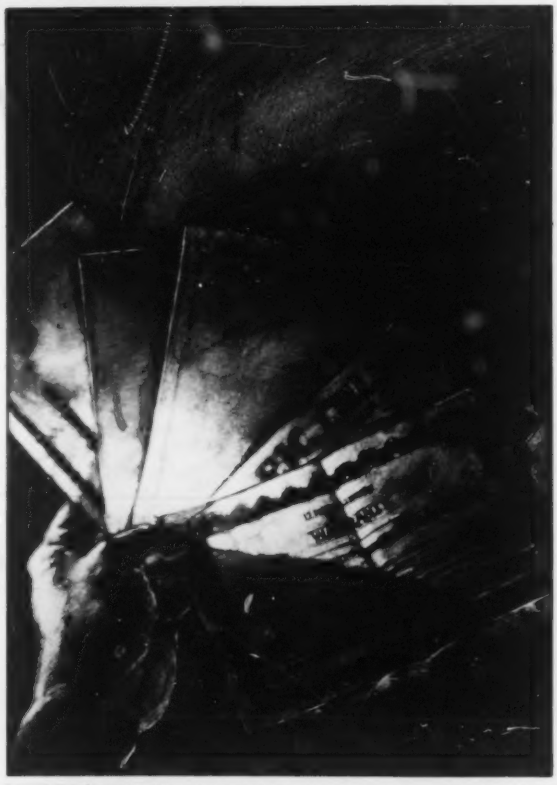

EXTENDED WARRANTIES: Should RV makers follow Detroit's lead in pushing long-term warranties? Do extended warranties increase a manufacturer's competitive edge? The debate centers on questions of cost, product complexity, competitive reaction and consumer expectations. See page 35.

IMHA Sets International Focus For Retooled South Bend Show

The Indiana Manufactured Housing Association/Recreation Vehicle Indiana Council (IMHA/RVIC) has announced a plan to draw more traffic to its 35th Annual Midwest Manufactured Housing and RV Show by capitalizing on the recent growth in foreign trade and by enticing manufacturers to show more new products.

As part of a new foreign-trade focus, the Indianapolis, Ind.-based trade group explained that it will be going to Europe this spring to promote the show – slated for Aug. 8-13 at the University of Notre Dame's Athletic & Convocation Center in South Bend, Ind. – in a joint effort with the Indiana Department of Commerce (IDOC). The goal will be to lure foreign dealers and distributors to the U.S. show, where they will be treated to a special VIP booth and the opportunity to arrange

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RV makers debate whether emulating Detroit's aggressive marketing of long-term warranties can increase a manufacturer's competitive edge.

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A WARM GLOW IN THE EARLY-WINTER MONTHS

MORTON J. MARCUS

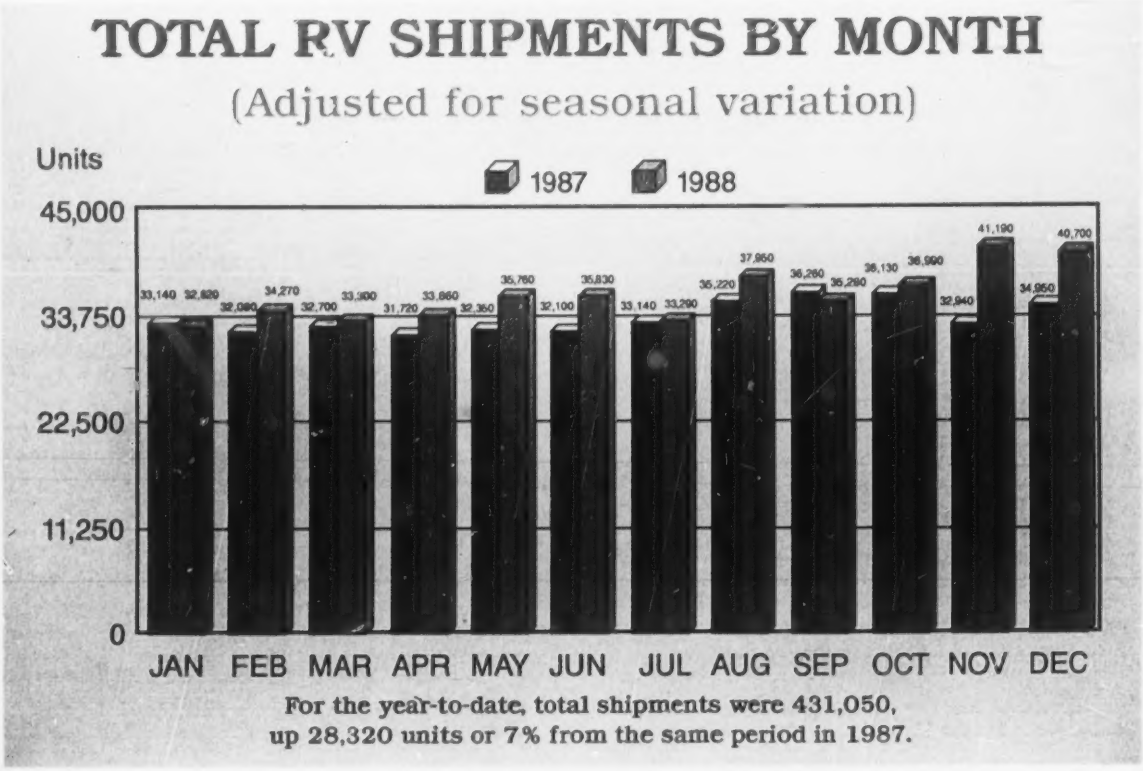


Figure 1

January 1989 was strangely warm. Across the country, heating bills were down, and people went to work with cheerful disbelief. Some serious folk speculated that the earth was experiencing a greenhouse effect. Some cynics said it was a residual from the elections of the preceding year.

But it now appears that the real reason for the balmy days was the torrid climax to RV shipment activity that occurred in November and December of 1988.

In December 1988, for the second month in a row, the shipment data from RVIA, when adjusted for normal seasonal patterns, exceeded 40,000 units. *(See Figure 1.)* After averaging just under 33,600 units per month in 1987 and improving to a monthly average of nearly 35,000 in the first 10 months of 1988, RV shipments broke through to average 40,940 in the last two months of '88.

This strong finish to the year meant that just about half of the gain of 1988 over '87 was realized in just the last two months. With the exception of January and September, each month in 1988 had been an improvement over the same month in 1987; November and December, however, accounted for nearly 14,000 of the 28,300-unit total by which 1988 surpassed '87.

The Detailed View

December 1988 was not quite as strong as November, but the difference was less than 500 units, or just a 1% decline. The strength in the industry was very widespread. If van conversions are excluded, the industry climbed by 2,000 units in December compared with its November performance. *(See Figure 4.)*

Towables all advanced in December to finish the year *up* by nearly 5,200 units, or a 3.5% increase. Conventional travel trailers were down for the year by about 1,100 units (less than 2%), but all other towables recorded gains. The best performance in

GRAPHICS: CUSTOM COLOR VISUALS

INDEX OF QUARTERLY SHIPMENT CHANGES
(1st Quarter 1986-Base Period)

Quarters/Years		Total RVs	Towables	Motorhomes	Van Conversions
1st	1986	95,150	32,720	14,850	47,580
2nd		93,290	30,310	17,030	45,940
3rd		96,460	32,240	17,640	46,580
4th		97,080	36,510	18,820	41,740
1st	1987	97,920	35,750	17,210	44,970
2nd		96,170	33,880	17,770	44,520
3rd		104,620	37,540	20,490	46,590
4th		104,030	38,680	19,060	46,290
1st	1988	100,190	37,620	16,670	45,910
2nd		105,460	37,570	18,700	49,190
3rd		106,520	36,520	18,760	51,250
4th		118,880	39,300	19,350	60,230

Figure 2

1988 in this group came from fifth-wheel trailers, which bounded ahead by more than 14% from 1987 levels, adding nearly 4,000 units.

Motorhomes fared less well in 1988. The group failed to stay even with 1987, dropping by about 1,000 units or slightly more than 1%.

Class B van campers had a weak showing in December 1988, which was in line with their performance for the entire year, during which total volume dropped by more than 1,600 units (a 23% drop). But Class B's were just one of several weak-performing areas in the motorhome group. Low-profile Class C's and the micro-mini Class C's also lost ground in 1988.

As the economy repeatedly performs better than expected, RVs seem to be sharing some of the positive shock effects.

The gainers among motorhomes were the Class A units (up only 600 units, about 1%) and the Class C minimotorhomes, which bucked the trend for the motorhome group by adding 1,500 units for a 7.5% gain.

The big gainers for the year were van conversions. Surpassing the 200,000 mark, van conversions added 24,200 units for the year, posting a 13.3% gain. This massive increase on already high volume moved van conversions closer to the point at which they will hold half the market for RVs. *(See Figure 3.)* At 47.9% of the market, van conversions added 2.6 market-share points during 1988, and these were drawn more from motorhomes than towables.

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1988	1987
Total RVs	100.00	100.00
Travel Trailers:		
Conventional	13.55	14.78
Park Models	1.71	1.64
Fifth-wheels	7.28	6.81
Folding Camping Trailers	9.92	10.44
Truck Campers	2.58	2.54
Total Towables	35.03	36.21
Motorhomes:		
Class A	9.65	10.19
Class B Van Campers	1.26	1.76
Class C:		
Minis	5.12	5.09
Low Profiles	0.46	0.60
Micro-minis	0.56	0.86
Total Motorhomes	17.04	18.50
Multiuse Van Conversions	47.92	45.28

Figure 3

Upward Trends

As shown in Figure 2, all three major groups gave evidence of a general upward trend in 1988:

- Total RV shipments crept upward, and a very strong fourth quarter in 1988 raised questions about where the market will go next.
- Towables hit a peak in the last quarter of 1988.
- Motorhomes seemed to be on the rise again after their tough times in the first quarter of 1988. The results of the fourth quarter of 1988 were just 5.6% below the peak third quarter of 1987.
- For nine out of 12 quarters through the end of 1988, van conversions were seemingly stuck in the 42,000 to 47,500 range. Then, in the second quarter of 1988, they started to break out and ended the year with dramatic strength.

This positive record clearly matches the national economic record, which continues to surprise all. As the economy repeatedly performs better than expected, RVs seem to be sharing some of the positive shock effects. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

TYPE OF UNITS	DEC 1988	PERCENT CHANGE FROM NOV	YEAR-TO-DATE 1988	YEAR-TO-DATE 1987	PERCENT CHANGE
Total RVs	40,700	-1.2	431,050	402,730	7.0
Travel Trailers:					
Conventional	5,210	11.3	58,390	59,510	-1.9
Park Models	680	7.7	7,390	6,620	11.7
Fifth-wheels	2,970	14.9	31,390	27,420	14.5
Folding Camping Trailers	4,390	14.3	42,740	42,050	1.6
Truck Campers	1,080	19.4	11,110	10,250	8.4
Motorhomes:					
Class A	3,440	1.4	41,620	41,040	1.4
Class B Van Campers	360	-27.8	5,440	7,080	-23.3
Class C:					
-Minis	2,180	12.5	22,050	20,510	7.5
-Low Profiles	160	60.0	1,970	2,410	-18.4
-Micro-minis	240	107.5	2,400	3,480	-31.0
Multiuse Van Conversions	20,000	-11.2	206,570	182,370	13.3

Note: Percentages are computed from unrounded data.

Figure 4

NOVEMBER '88 REVERSED DOWNHILL TREND

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii;. **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

On a year-to-date basis, the RV industry made advances on both the RV-trailer and motorhome fronts in November 1988. For the first time in four months, the motorhome market was up for the month compared with the same month in 1987. The slide that both trailers and motorhomes had been experiencing started to reverse itself in November. Four of the seven motorhome market areas reported increases over the same month in '87, while the performance of RV trailers improved in three of seven regions compared with November 1987.

Compare those good November performances with the October 1988 numbers, when all seven motorhome market regions were behind last year's sales, and the RV–trailer market was behind last year's levels in six of seven regions.

The motorhome industry recorded a 4.2% increase in sales for the month of November as compared with November 1987–the first positive monthly comparison since August 1988. Figure 1 shows the November 1988 ranking of the seven regions by percent of change in motorhome sales from November 1987.

Within the top-ranked Mountain region, Arizona led with the largest positive percent of change, while Florida experienced the largest decline in the bottom-ranked South Atlantic region.

Figure 2 features the year-to-date rankings of the same seven motorhome market regions by percent of change in sales for the January-to-November period of 1988, compared with the same time period the previous year.

New Mexico reported the largest year-to-date increase in the leading Mountain region. North Carolina had the largest negative percentage of change in the lagging South Atlantic area.

Meanwhile, the RV-trailer industry experienced a nationwide decrease of 7.4% in retail sales for the month of November 1988, when compared with November 1987. This still represented an improvement of 17% over October 1988 numbers. Figure 3 below lists the seven market regions ranked by percent of change from November 1987.

Within the highest-ranked Mountain re-

MOTORHOME MARKET

Nov. '88 Rank	Region	% of Change From Nov. '87	Oct. '88 Rank
1	Mountain	27.70	2
2	Pacific	19.60	5
3	W.N. Central	17.30	1
4	S. Central	5.36	4
5	Northeast	–3.10	6
6	E.N. Central	–4.30	3
7	S. Atlantic	–24.90	7

Figure 1

MOTORHOME MARKET

Nov. '88 Rank	Region	% of Change Year-to-Date	Oct. '88 Rank
1	Mountain	12.90	1
2	Pacific	10.52	2
3	Northeast	1.53	3
4	E.N. Central	.93	4
5	W.N. Central	–1.11	5
6	S. Central	–3.62	6
7	S. Atlantic	–11.43	7

Figure 2

RV-TRAILER MARKET

Nov. '88 Rank	Region	% of Change From Nov. '87	Oct. '88 Rank
1	Mountain	28.80	1
2	Pacific	5.20	3
3	S. Central	1.50	2
4	W.N. Central	–10.20	5
5	S. Atlantic	–18.70	7
6	E.N. Central	–23.30	4
7	Northeast	–23.40	6

Figure 3

RV-TRAILER MARKET

Nov. '88 Rank	Region	% of Change Year-to-Date	Oct. '88 Rank
1	Mountain	9.01	2
2	W.N. Central	6.90	1
3	Northeast	4.50	3
4	Pacific	4.30	4
5	S. Central	2.50	5
6	E.N. Central	– .50	6
7	S. Atlantic	–4.50	7

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS

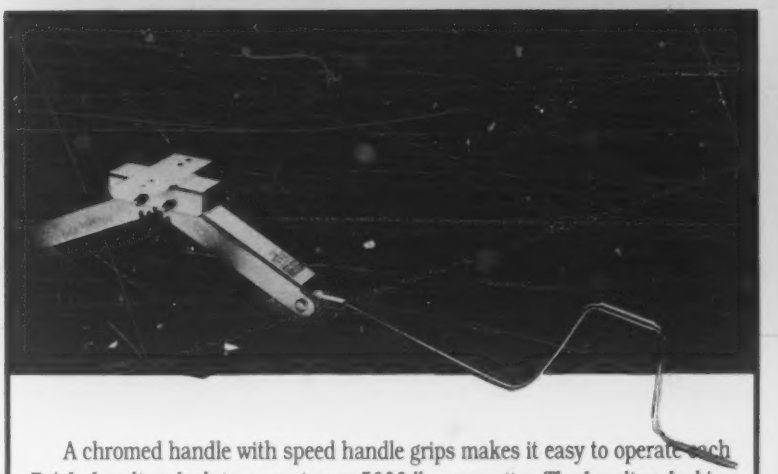
gion, Arizona had the largest positive percent of change. In the lowest-ranked Northeast region, Massachusetts recorded the largest decline for the region.

Figure 4 features the 1988 year-to-date ranking of the seven regions by the percent of change in RV-trailer sales from the same period in 1987.

In the top Mountain region, Idaho came in with the largest percent of increase, while Florida had the largest decline in sales of RV trailers in the bottom South Atlantic region.

Overall, we saw a positive trend coming together in November 1988 as illustrated by the number of positive markets. There was also a reshuffling of the monthly markets as far as regional rankings. This is the type of market, one with gradual but substantial growth, that is best for the RV industry. The year-end numbers should make the picture clearer to permit a projection of 1989 motorhome and RV-trailer markets. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.



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